



ECONOMIC INDICATORS

JULY - AUGUST 2002

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California continued to amble along in July with a slightly better employment picture. The public sector still appears to be carrying the load, however. Construction and real estate activity continued to slow from last year's pace.

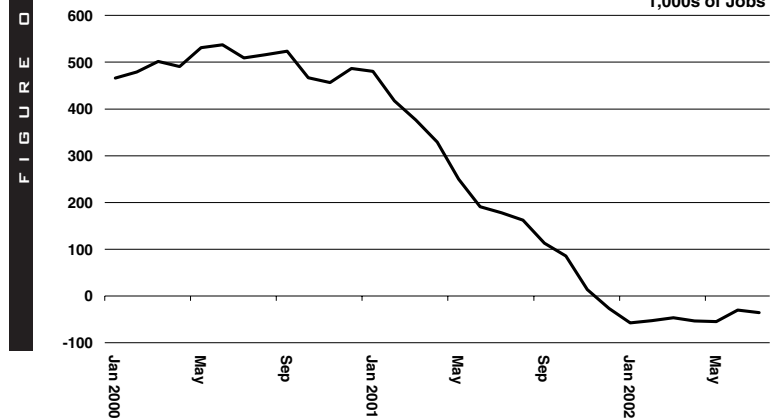
EMPLOYMENT

EMPLOYMENT
CONTINUES
TO IMPROVE
— . . . —

With the addition of 7,500 industry jobs in July, California has created an average of 1,500 nonfarm jobs each month of 2002—a total of 10,200. This is much better than the 2,200 jobs lost on average each month during 2001.

Employment Improves

Year-Over-Year Change in Nonfarm Payroll Employment
1,000s of Jobs



Government and wholesale and retail trade were the only two job-gaining major industries in July. Government payrolls advanced for the tenth consecutive month with the addition of 24,000 jobs, which means that private sector employment dropped by over 16,000. Nearly all of the public sector gains came from local public schools. Seasonal adjustment factors may well be at work, as local government employment was unchanged in June—the first time in nine months that it has not grown. During July local governments added 19,100 jobs.

Wholesale and retail trade industries turned in their second consecutive month-over-month advance in July with the addition of 6,100 jobs. Retail trade added 4,300 jobs, led by eating and drinking places. Wholesale trade added 1,800 jobs.

Losses in electronics made manufacturing the leading job loser in July—dropping 9,900 jobs for its 18th consecutive month-over-month loss. Stagnating building activity led construction industries to shed 4,300 jobs in July.

Compared to a year ago, industry employment in California was down 35,500 (or 0.2 percent) in July. Continuing weakness in the high technology sector was instrumental in the manufacturing sector losing 83,000 jobs over the year. Transportation and public utilities lost over 30,000 jobs.

HIGH TECHNOLOGY
IS STILL SUFFERING
— . . . —

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BUILDING ACTIVITY

Government was again the year-over-year job growth leader. Since July 2001, the public sector has added nearly 74,800 jobs, the great majority of them in local public schools.

California's unemployment rate dropped to 6.3 percent in July from a revised 6.5 percent in June. The improvement resulted from a drop in the number of unemployed persons (46,000) and increased civilian employment (55,000).

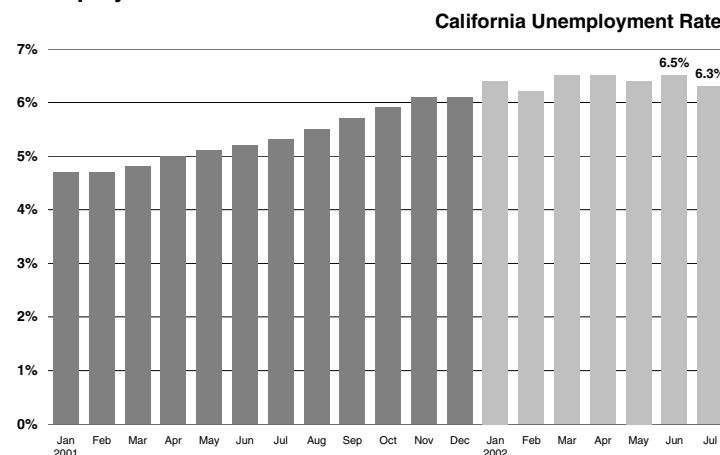
Regionally, the San Francisco Bay Area continues to be the focal point for the state's job losses. Since July 2001 the region has lost over 74,000 jobs, for a 2.4 percent loss. This is not surprising since the electronics manufacturing and software services industries have continued to shed jobs.

Following a burst of activity early in the year, construction in California has slowed significantly and trails last year's pace. Residential construction, as measured by permitting activity, reached a seasonally adjusted, annual rate of 135,000 units in June, a 2 percent drop from a year ago. For the first six months of 2002, residential construction was essentially the same as during the same months of 2001. Regionally, home building has fallen dramatically in Los Angeles, San Diego, and the San Francisco Bay area.

Nonresidential construction, as measured by permit values, was off over 14 percent from a year ago in June. The slowdown is still being led by dramatic reductions in office building and industrial construction.

FIGURE TWO

Unemployment Rate Stabilizes in 2002



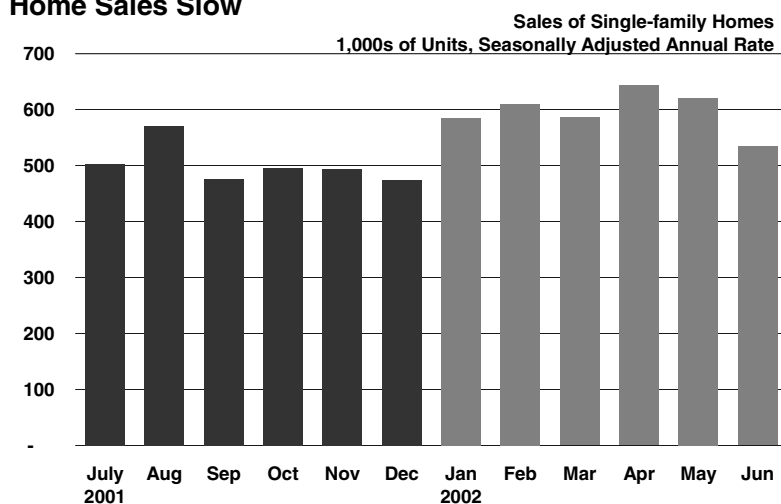
REAL ESTATE

Following surging sales in April and May, statewide sales of single-family homes plunged almost 14 percent in June. This represents a small 1.4 percent year-over-year gain, but is a significant reduction from the 20+ percent gains made in both of the preceding two months.

Despite this drop in demand, the median price of single-family homes sold in June, \$324,000, was still 21.5 percent above the median reached a year ago.

FIGURE THREE

Home Sales Slow



HOME PRICES STILL STRONG

CALIFORNIA CONSTRUCTION AT MID-YEAR

A salient feature of California's recovery from the 2001 recession is the absence of any appreciable growth in construction activity. California's economic expansions are typically accompanied by strong construction activity growth.

CONSTRUCTION IS
IMPORTANT
AND VOLATILE

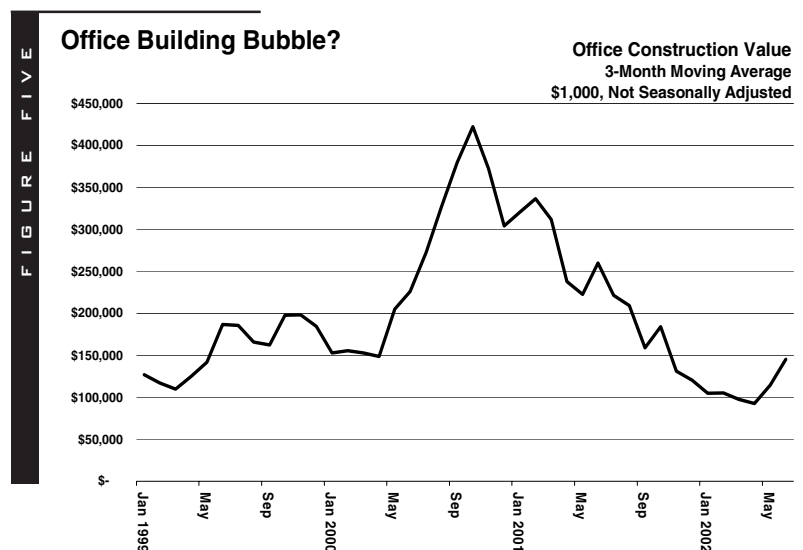
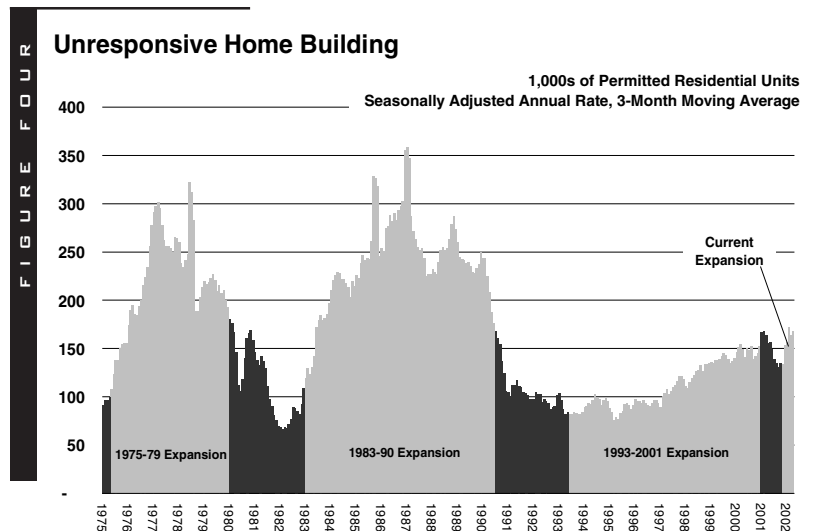
Construction activity is a prominent feature of economic expansions. Construction employment, which represents from 3 percent to 5 percent of industrial employment, is volatile, typically contracting quickly during downturns and then rising swiftly in response to economic growth. Additionally, various durable goods industries—which account for an additional 2 percent of nonfarm employment and include lumber and wood products, furniture and fixtures, stone, clay, glass, and fabricated metal products—rely on demand related to construction and occupancy of new homes and nonresidential facilities. Most importantly, general employment growth generates an increased need for housing and business facilities.

The volatility of the building industry is evident from the dramatic swings in activity from the peak of a business cycle to its trough. From the peak level of building activity in the 1975-79 expansion to the bottom of the 1980-83 recession, home building activity, as measured by the number of new residential unit permits issued, slowed nearly 80 percent. Likewise, the pace of home construction slowed 77 percent between the 1987 expansion peak and the 1993 nadir.

The Last Two Cycles Are Different

This volatility has been absent during the latest economic cycle. From peak to trough in the 2000-01 slowdown, home building slowed a mere 12 percent. The value of total residential and nonresidential building permits issued during the current recovery, which began near the end of 2001, has actually declined 0.2 percent each month on average. Furthermore, construction industry employment has been essentially stagnant since December 2001.

This atypical post-recession behavior is explainable considering the nature of the state's current recovery and construction industry performance during the 1993-2000 economic expansion. Since the beginning of the mid-1990s construction activity has not exhibited the typical "boom and bust" behavior of earlier periods.



No "BOOM & BUST"
THIS TIME

The 1993-2000 expansion was notable for a dearth of new home building that did not keep pace with prevailing job growth. Some unsuccessful building ventures undertaken in the 1980's have made it more difficult to obtain financing for large-scale projects. Similarly, the relative attractiveness of real estate for investment purposes was diminished greatly by the stock market boom and Internet "gold rush." Environmental and quality-of-life concerns may have led to local land use policies that restricted building despite strong job growth, particularly in the San Francisco Bay area. Extremely tight labor markets may have limited the availability of construction labor in some areas of the state. For a variety of reasons construction during the 1993-2001 expansion was muted compared to the overall rate of economic growth. This left the state with unsatisfied demand for new homes.

Nonresidential construction, on the other hand, boomed during 1993-2001. The blossoming of Internet start-ups stimulated the demand for office space that was met with a flurry of office building construction and the conversion of residential and industrial spaces into office space.

This performance flip-flopped during the 2001—2002 cycle. The left over demand for homes sustained residential construction during the 2001 recession and it did not suffer the dramatic drop-off that occurred in earlier downturns. It has also remained subdued even as the recovery took hold. Commercial real estate, on the other hand, is suffering from an excess of inventory left over from the 2000 building boom. Office vacancy rates have risen throughout the state, but they have risen to a much greater degree in the high-tech rich San Francisco Bay Area. Thus, nonresidential construction plummeted in 2001 and 2002.

FIGURE SIX

Rising Vacancies Office Vacancy Index Major Metropolitan Areas

	2001Q1	2002Q1	Change
LOS ANGELES	11.6	13.1	1.5
ORANGE COUNTY	13.0	17.3	4.3
VENTURA COUNTY	10.3	12.5	2.2
SAN DIEGO	7.0	10.3	3.3
SAN FRANCISCO	7.1	18.1	11.0
SAN JOSE	5.8	15.6	9.8
OAKLAND	4.9	12.2	7.3
SACRAMENTO	6.3	8.8	2.5
NATION	9.1	14.2	5.1

Source: CB Richard Ellis

FIGURE SEVEN

NEW HOUSING UNIT AUTHORIZATIONS BY MSA First 6 Months of 2002 Selected MSAs

	Single Family Units	2 Units	3-4 Units	5+ Units	Family Multi Units	Total Units
LOS ANGELES-LONG BEACH	3,948	195	162	3,214	3,571	7,519
Yr-Yr % Change	-10.8%	47.7%	15.7%	-40.1%	-36.7%	-25.3%
OAKLAND	3,642	34	62	901	997	4,639
Yr-Yr % Change	7.7%	142.9%	29.2%	-18.4%	-14.5%	2.0%
ORANGE COUNTY	3,245	44	224	2,025	2,293	5,538
Yr-Yr % Change	-7.9%	-67.2%	8.2%	170.7%	110.6%	20.1%
RIVERSIDE-SAN BERNARDINO	14,016	148	78	1,389	1,615	15,631
Yr-Yr % Change	16.9%	64.4%	-42.6%	5.7%	4.9%	15.5%
SACRAMENTO	8,823	52	24	1,508	1,584	10,407
Yr-Yr % Change	20.1%	136.4%	-79.8%	74.3%	57.5%	24.6%
SAN DIEGO	4,444	298	488	2,422	3,208	7,652
Yr-Yr % Change	-13.9%	1254.5%	111.3%	-25.8%	-8.7%	-11.8%
SAN FRANCISCO	462	74	69	519	662	1,124
Yr-Yr % Change	-7.0%	-15.9%	-9.2%	-48.7%	-43.7%	-32.8%
SAN JOSE	1,106	32	128	1,561	1,721	2,827
Yr-Yr % Change	12.7%	300.0%	611.1%	-40.2%	-34.7%	-21.9%
Rest of State	19,546	166	449	1,749	2,364	21,910
Yr-Yr % Change	-2.5%	-24.5%	2.5%	10.6%	5.5%	-1.7%
STATE	59,232	1,043	1,684	15,288	18,015	77,247
	3.3%	42.9%	19.2%	-14.4%	-10.0%	-0.1%

Source:
California -- Construction Industry Research Board

NEW NONRESIDENTIAL CONSTRUCTION VALUATION BY MSA
First 6 Months of 2002
Selected MSAs
(\$1,000s)

	Hotel/ Motel	Recreation Amuse./	Parking Garages	Service Stations	Offices	Stores	Commercial	Industrial	Other	Total Nonres Value
LOS ANGELES-LONG BEACH	8,294	25,227	83,933	4,425	89,746	284,430	496,055	97,971	188,628	1,452,122
Yr-Yr % Change	22.2%	-45.5%	-26.4%	6.0%	-78.3%	20.5%	-39.5%	-7.1%	-26.5%	-27.3%
OAKLAND	0	5,491	4,000	2,245	77,865	81,605	171,206	77,632	82,002	569,379
Yr-Yr % Change	--	-58.2%	-80.0%	-51.1%	-60.2%	-6.5%	-55.9%	36.9%	58.0%	-33.0%
ORANGE COUNTY	9,429	12,977	30,232	460	108,526	72,651	234,275	19,609	51,295	595,907
Yr-Yr % Change	-91.4%	-19.4%	116.7%	-81.5%	13.2%	-37.1%	-33.7%	-69.5%	-38.9%	-25.2%
RIVERSIDE-SAN BERNARDINO	12,412	10,688	6,592	3,873	25,626	177,227	236,418	125,350	153,295	659,410
Yr-Yr % Change	85.8%	111.2%	13.7%	-19.1%	-35.4%	11.9%	7.2%	-25.3%	37.5%	5.3%
SACRAMENTO	22,608	5,393	0	2,263	59,674	89,217	179,155	28,297	71,378	424,373
Yr-Yr % Change	-67.0%	128.8%	--	26.8%	-26.4%	34.7%	-21.7%	24.1%	-5.2%	-12.6%
SAN DIEGO	92,211	5,458	26,723	3,867	65,742	63,810	257,811	36,032	103,766	595,612
Yr-Yr % Change	47.4%	-66.0%	400.9%	-31.0%	-16.9%	-12.8%	6.6%	-23.9%	4.0%	-3.0%
SAN FRANCISCO	7,800	40,034	9,317	400	59,831	27,678	145,060	15,471	37,354	518,128
Yr-Yr % Change	-76.7%	13244.7%	-83.4%	-73.3%	-80.9%	173.4%	-65.0%	37.8%	-10.2%	-38.7%
SAN JOSE	35,534	1,691	2,081	607	127,531	85,369	252,813	7,095	89,429	627,324
Yr-Yr % Change	50.8%	-75.0%	-97.1%	--	-58.1%	-9.9%	-49.6%	-95.7%	99.0%	-53.5%
Rest of State	55,470	10,435	4,225	10,314	112,900	334,877	528,221	112,683	447,497	1,182,005
Yr-Yr % Change	64.5%	-75.8%	--	112.0%	-41.0%	15.7%	-6.1%	-21.8%	2.4%	-0.1%
STATE	243,758	117,394	167,103	28,454	727,441	1,216,864	2,501,014	520,140	1,224,644	6,624,260
% Change	-40.9%	-21.4%	-43.6%	-4.5%	-57.5%	7.6%	-33.0%	-33.8%	1.8%	-24.3%

Source:

California -- Construction Industry Research Board

SELECT INDICATORS

EMPLOYMENT

	2002				2001	Yr-Over-Yr % Change
	Jul	Jun	May	Apr	Jul	
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	16,481	16,426	16,432	16,460	16,439	0.3
Unemployment (000)	1,099	1,145	1,118	1,153	922	19.2
Unemployment rate	6.3	6.5	6.4	6.5	5.3	--
Nonagricultural wage and salary employment (000)	14,666.4	14,658.9	14,655.4	14,667.7	14,701.9	-0.2
Mining	23.4	23.6	23.4	23.5	24.2	-3.3
Construction	757.3	761.6	756.3	764.3	772.6	-2.0
Manufacturing	1,814.0	1,823.9	1,823.3	1,830.8	1,897.0	-4.4
Durable	1,124.3	1,129.5	1,131.6	1,136.6	1,193.7	-5.8
High technology a/	467.7	470.5	472.3	474.5	508.6	-8.0
Computer and office equipment	87.0	87.5	87.6	87.4	94.4	-7.8
Communications equipment	41.4	41.6	41.8	42.0	44.8	-7.6
Electronic components	142.1	142.9	143.1	144.3	157.5	-9.8
Aircraft and parts	64.8	65.3	65.8	66.1	71.6	-9.5
Missiles, spacecraft, and parts	19.1	19.0	19.0	19.1	20.7	-7.7
Search and navigation equipment	46.8	47.1	47.9	48.2	48.7	-3.9
Measuring and controlling devices	66.5	67.1	67.1	67.4	70.9	-6.2
Nondurable	689.7	694.4	691.7	694.2	703.3	-1.9
Transportation and public utilities	721.0	722.4	724.0	724.2	751.2	-4.0
Trade	3,367.5	3,361.4	3,358.6	3,363.0	3,334.7	1.0
Wholesale	811.7	809.9	809.3	812.1	808.1	0.4
Retail	2,555.8	2,551.5	2,549.3	2,550.9	2,526.6	1.2
Finance, insurance, and real estate	844.3	845.9	846.5	846.9	845.1	-0.1
Services e/	4,671.1	4,676.3	4,681.0	4,675.0	4,684.1	-0.3
Business services	1,256.8	1,259.1	1,260.0	1,258.7	1,301.4	-3.4
Motion pictures	170.7	175.1	169.7	172.5	182.9	-6.7
Amusement and recreation services	220.7	221.4	221.1	221.8	223.3	-1.2
Engineering and management consulting	511.7	512.9	513.7	513.2	502.5	1.8
Government	2,467.8	2,443.8	2,442.3	2,440.0	2,393.0	3.1
Federal	256.9	256.2	254.8	254.3	256.9	0.0
State and local	2,210.9	2,187.6	2,187.5	2,185.7	2,136.1	3.5

HOURS & EARNINGS

HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.1	41.0	40.9	40.8	40.9	-2.0
Average weekly earnings	\$603.10	\$615.41	\$612.27	\$609.96	\$605.73	-0.4
Average hourly earnings	\$15.04	\$15.01	\$14.97	\$14.95	\$14.81	1.6

CONSUMER PRICES

CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	n.a.	185.9	n.a.	186.1	n.a.	--
San Francisco CMSA	n.a.	193.2	n.a.	193.0	n.a.	--
Los Angeles CMSA	182.2	181.9	182.6	182.2	178.3	2.2
Urban Wage Earners and Clerical Workers Series						
California Average	n.a.	178.9	n.a.	178.9	n.a.	--
San Francisco CMSA	n.a.	189.1	n.a.	188.8	n.a.	--
Los Angeles CMSA	175.0	174.7	175.4	174.8	171.3	2.2

CONSTRUCTION

	2002				2001	
	Jun	May	Apr	Mar	Jun	
CONSTRUCTION						
Private residential housing units authorized (000) b/	135.1	154.9	158.7	143.9	138.0	-2.1
Single units	103.8	116.3	122.5	113.3	97.8	6.1
Multiple units	31.4	38.6	36.2	30.6	40.2	-21.9
Residential building authorized valuation (millions) c/	\$2,124	\$2,688	\$2,759	\$2,477	\$2,011	5.6
Nonresidential building authorized valuation (millions) c/	\$1,133	\$1,188	\$1,223	\$995	\$1,324	-14.5
Nonresidential building authorized valuation (millions) d/	\$1,300	\$1,290	\$1,202	\$1,018	\$1,518	-14.3
Commercial	551	440	410	328	566	-2.6
Industrial	108	113	93	81	154	-30.1
Other	204	217	233	185	257	-20.7
Alterations and additions	438	520	466	424	541	-19.1

AUTO SALES

AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	135,779	151,915	140,510	134,788	140,216	-3.2

a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

e/ Only select industry components are shown therefore will not add to total.

n.a. Not available

SELECT INDICATORS

(CONTINUED)

VACANCY RATES

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VACANCY RATES FOR FIRST QUARTER 2002

(Percent)

	Office			Industrial
	<u>Downtown</u>	<u>Suburban</u>	<u>Total</u>	
Northern and Central California:				
Oakland-East Bay	11.4	12.4	12.2	--
Sacramento	5.0	9.9	8.8	14.4
San Francisco	15.6	23.9	18.1	11.1
San Jose	11.5	16.7	15.6	--
Southern California:				
Los Angeles Metro	15.4	12.7	13.1	10.8
Orange County	--	17.3	17.3	--
San Diego	7.7	11.0	10.3	6.7
Ventura County	--	12.5	12.5	--
National Average	11.7	15.6	14.2	10.8

MEDIAN PRICES

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MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

2001				2002		
Jan	\$244,110	Jul	267,280	Jan	\$289,520	Jul
Feb	241,690	Aug	277,430	Feb	298,310	Aug
Mar	257,550	Sep	274,680	Mar	305,970	Sep
Apr	255,310	Oct	272,320	Apr	317,100	Oct
May	255,860	Nov	274,680	May	319,560	Nov
Jun	267,410	Dec	285,110	Jun	324,370	Dec

LEADING INDICATORS/^a

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Initial Claims	Incorporations	(Thousands)
1997	Jan	4.7	41.5	67,377	4,713	90.5
	Feb	4.8	41.8	55,952	4,355	122.6
	Mar	5.1	42.2	58,551	3,579	98.7
	Apr	5.0	42.0	59,557	3,957	102.4
	May	4.9	41.8	59,293	4,479	108.2
	Jun	4.9	41.7	63,334	4,367	108.4
	Jul	4.9	41.7	61,910	4,744	112.3
	Aug	5.1	42.0	63,234	4,206	114.3
	Sep	5.0	42.0	64,061	4,763	121.2
	Oct	5.0	42.0	61,392	4,738	127.9
	Nov	5.0	42.2	58,151	4,421	117.1
	Dec	5.1	42.2	58,804	4,823	108.8
1998	Jan	5.1	42.1	57,555	4,711	105.8
	Feb	5.0	41.9	59,896	4,575	111.7
	Mar	4.9	41.9	58,500	4,613	128.8
	Apr	4.5	41.2	57,552	5,084	116.6
	May	4.7	41.8	58,844	4,502	121.6
	Jun	4.8	41.9	54,072	4,705	142.9
	Jul	4.7	41.9	54,244	4,837	117.5
	Aug	4.6	41.7	52,766	4,378	137.2
	Sep	4.5	41.4	50,869	3,745	125.9
	Oct	4.7	41.8	52,740	4,711	137.2
	Nov	4.6	41.7	54,399	4,728	139.9
	Dec	4.6	41.8	53,932	4,602	126.8
1999	Jan	4.6	42.2	53,407	4,930	138.3
	Feb	4.7	41.9	52,466	5,096	133.9
	Mar	4.7	42.0	52,826	6,033	138.1
	Apr	4.7	42.0	52,809	5,080	133.2
	May	4.8	42.0	50,231	5,292	132.6
	Jun	4.7	41.9	51,380	5,506	158.9
	Jul	4.5	41.7	51,205	5,303	147.0
	Aug	4.6	41.5	51,077	5,864	133.2
	Sep	4.5	41.3	50,513	5,848	138.8
	Oct	4.8	41.6	49,289	5,686	131.9
	Nov	4.8	41.5	51,158	5,987	141.2
	Dec	4.8	41.5	45,004	6,477	150.3
2000	Jan	4.9	41.5	52,060	6,500	153.9
	Feb	4.9	41.3	49,021	6,867	151.3
	Mar	4.8	41.4	47,039	8,319	157.6
	Apr	5.3	42.0	45,280	7,552	125.2
	May	5.0	41.6	47,659	6,699	137.7
	Jun	5.0	41.7	49,108	7,191	180.7
	Jul	5.1	41.7	48,486	7,205	132.5
	Aug	5.0	41.7	47,928	7,190	150.9
	Sep	5.0	42.0	48,084	7,133	143.4
	Oct	5.1	41.8	49,364	7,360	136.1
	Nov	4.8	41.6	47,796	7,561	160.3
	Dec	4.7	41.5	52,366	6,256	157.0
2001	Jan	4.4	41.0	49,371	7,472	203.6
	Feb	4.5	41.2	49,269	6,340	141.8
	Mar	4.5	41.1	52,879	6,466	146.6
	Apr	4.0	40.6	54,543	6,250	149.0
	May	4.3	41.0	55,805	6,956	153.9
	Jun	4.3	40.9	54,571	6,236	138.0
	Jul	4.3	41.1	56,673	6,359	129.4
	Aug	4.4	41.4	57,703	7,522	155.6
	Sep	4.3	41.3	60,803	6,070	112.3
	Oct	4.0	40.7	65,267	7,301	151.8
	Nov	3.9	40.6	55,652	7,545	141.6
	Dec	3.9	40.8	47,270	6,676	164.4
2002	Jan	3.9	40.5	70,848	7,150	158.1
	Feb	4.2	41.1	52,656	6,747	171.4
	Mar	4.4	41.2	59,397	7,199	143.9
	Apr	4.4	41.3	66,601	7,344	158.7
	May	4.4	41.1	60,073	8,933	154.9
	Jun	4.3	41.0	59,116	6,752	135.1
	Jul	4.1	40.3	n.a.	7,022	n.a.

a/ Seasonally adjusted by the California Department of Finance.
n.a. Not available

COINCIDENT INDICATORS/A

EMPLOYMENT, UNEMPLOYMENT

— . . . —

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1998	Jan	13,407	1,951	6.1	335
	Feb	13,423	1,954	6.1	363
	Mar	13,445	1,956	6.0	365
	Apr	13,486	1,958	6.0	367
	May	13,539	1,964	6.0	355
	Jun	13,584	1,962	5.9	353
	Jul	13,602	1,955	5.9	352
	Aug	13,662	1,954	5.9	358
	Sep	13,709	1,953	5.9	355
	Oct	13,726	1,944	5.8	337
	Nov	13,770	1,936	5.8	354
	Dec	13,788	1,928	5.8	367
1999	Jan	13,783	1,921	5.6	353
	Feb	13,821	1,919	5.6	367
	Mar	13,841	1,920	5.5	372
	Apr	13,901	1,921	5.4	363
	May	13,929	1,920	5.3	374
	Jun	13,961	1,921	5.2	375
	Jul	14,014	1,925	5.1	352
	Aug	14,043	1,923	5.0	357
	Sep	14,064	1,927	5.0	365
	Oct	14,137	1,931	4.9	349
	Nov	14,174	1,929	4.9	347
	Dec	14,196	1,926	5.0	339
2000	Jan	14,249	1,928	5.0	354
	Feb	14,300	1,929	5.0	345
	Mar	14,342	1,932	5.1	348
	Apr	14,391	1,939	5.0	336
	May	14,460	1,944	5.1	328
	Jun	14,498	1,952	5.1	331
	Jul	14,524	1,951	5.1	337
	Aug	14,559	1,954	5.0	341
	Sep	14,587	1,957	4.9	315
	Oct	14,603	1,959	4.8	339
	Nov	14,631	1,963	4.8	347
	Dec	14,683	1,969	4.7	315
2001	Jan	14,729	1,971	4.7	347
	Feb	14,718	1,964	4.7	353
	Mar	14,719	1,957	4.8	353
	Apr	14,721	1,934	5.0	385
	May	14,710	1,921	5.1	419
	Jun	14,689	1,904	5.2	420
	Jul	14,702	1,897	5.3	457
	Aug	14,721	1,884	5.5	482
	Sep	14,701	1,873	5.7	481
	Oct	14,689	1,859	5.9	551
	Nov	14,644	1,848	6.1	517
	Dec	14,656	1,843	6.1	503
2002	Jan	14,672	1,843	6.4	501
	Feb	14,665	1,840	6.2	533
	Mar	14,672	1,838	6.5	504
	Apr	14,668	1,831	6.5	538
	May	14,655	1,823	6.4	563
	Jun	14,659	1,824	6.5	540
	Jul	14,666	1,814	6.3	n.a.

INCOME, WAGES, TAXABLE SALES

— . . . —

		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1997	Qtr I	839,517	100,201	82,866
	Qtr II	851,775	102,010	84,167
	Qtr III	868,055	104,133	85,968
	Qtr IV	886,882	105,734	87,444
1998	Qtr I	905,328	107,999	87,246
	Qtr II	922,090	110,973	89,126
	Qtr III	936,414	112,450	90,733
	Qtr IV	962,676	118,293	91,120
1999	Qtr I	958,792	116,556	93,739
	Qtr II	983,196	120,572	97,146
	Qtr III	1,006,295	126,985	99,747
	Qtr IV	1,040,889	132,447	103,096
2000	Qtr I	1,076,665	146,164	107,393
	Qtr II	1,081,713	140,108	109,940
	Qtr III	1,115,129	151,037	111,702
	Qtr IV	1,105,572	141,624	112,045
2001	Qtr I	1,139,123	139,955	111,989
	Qtr II	1,120,314	136,924	111,275
	Qtr III	1,107,434	129,361	108,517
	Qtr IV	1,099,537	128,267	106,298
2002	Qtr I	n.a.	n.a.	106,974

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

n.a. Not available

OTHER INDICATORS

DOD Prime Contracts a/						Foreign Trade through California Ports			
	\$ millions	% of U.S.		\$ millions	% of U.S.		\$ millions		\$ millions
1981-82	22,685	21.8	1991-92	23,843	21.2	2001		2002	
1982-83	26,387	22.2	1992-93	22,952	20.1	Jan	31,457	Jan	24,205
1983-84	28,520	23.0	1993-94	22,573	20.5	Feb	27,796	Feb	24,197
1984-85	29,115	20.8	1994-95	18,277	16.8	Mar	31,866	Mar	26,263
1985-86	27,738	20.4	1995-96	18,230	16.7	Apr	28,116	Apr	27,081
1986-87	24,515	18.4	1996-97	18,477	17.3	May	27,833	May	27,382
1987-88	23,458	18.7	1997-98	17,401	15.9	Jun	28,995	Jun	
1988-89	23,125	19.3	1998-99	17,372	15.1	Jul	28,097	Jul	
1989-90	22,312	18.4	1999-00	18,100	14.7	Aug	28,565	Aug	
1990-91	24,265	19.5	2000-01	19,939	13.6	Sep	27,219	Sep	
						Oct	29,570	Oct	
						Nov	26,499	Nov	
						Dec	25,184	Dec	

a/ U.S. fiscal year: October through September

TECHNICAL NOTE

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

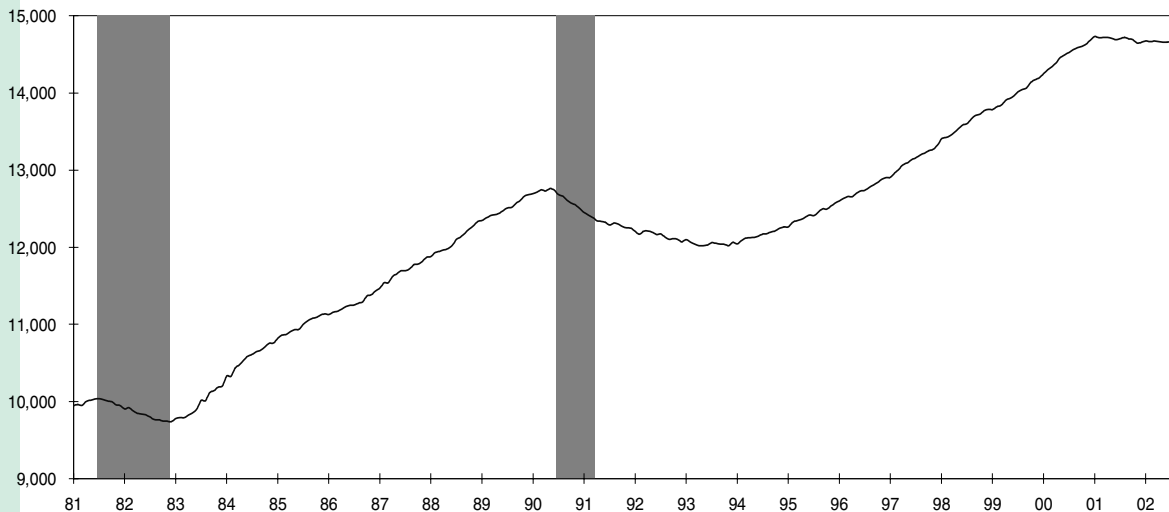
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

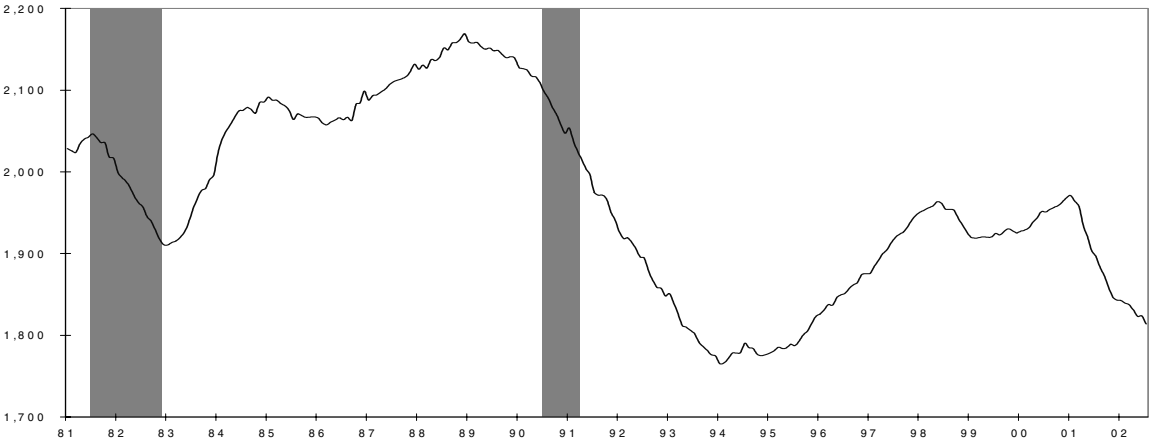
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL EMPLOYMENT (THOUSANDS, SEASONALLY ADJUSTED)



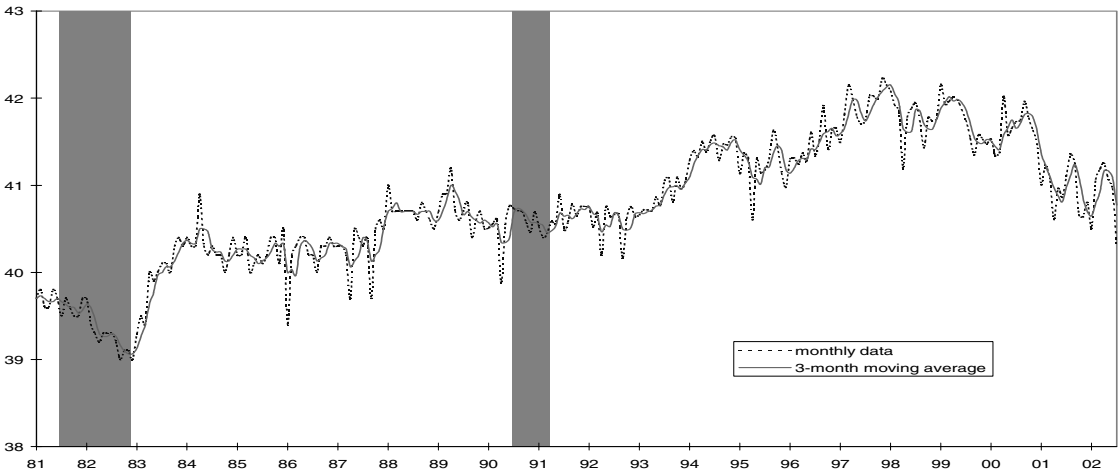
**MANUFACTURING
EMPLOYMENT**
(THOUSANDS,
SEASONALLY ADJUSTED)

— . . . —



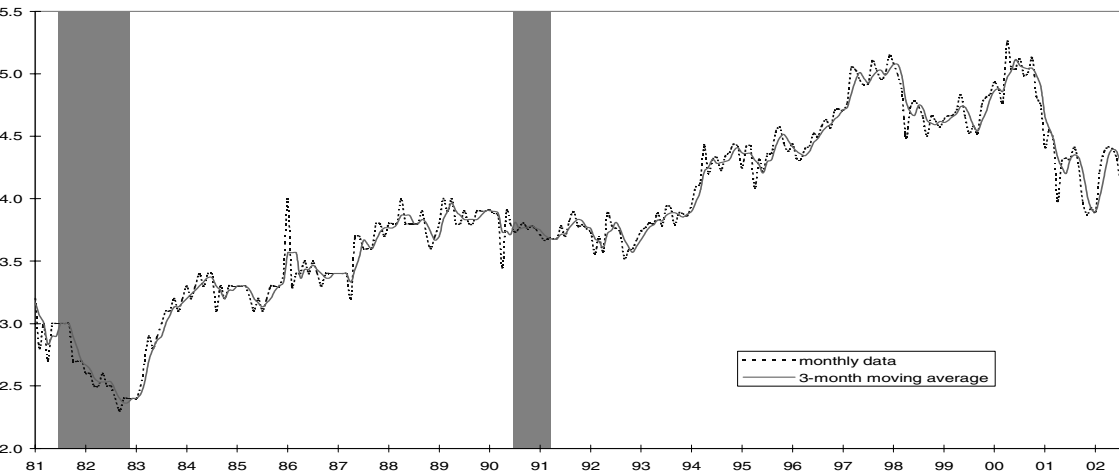
**AVERAGE WEEKLY
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



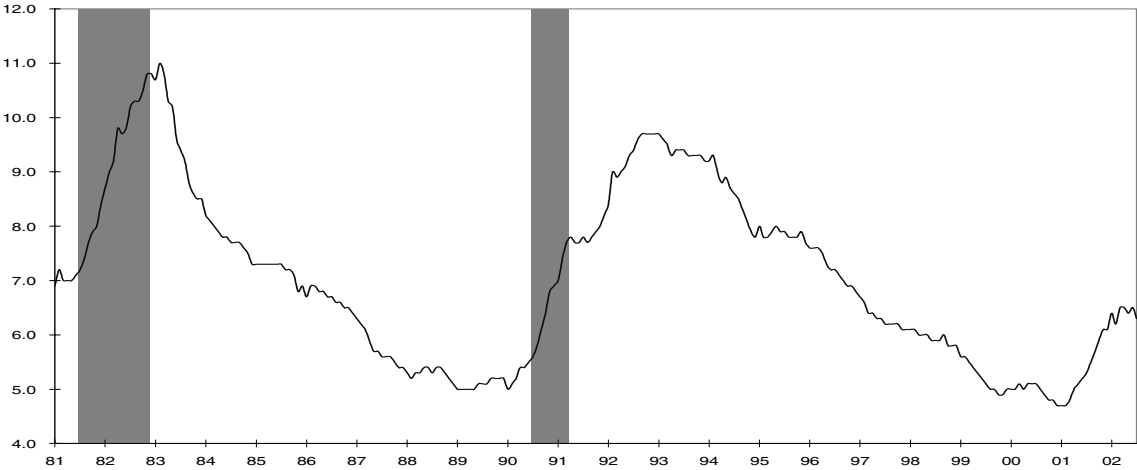
**AVERAGE OVERTIME
HOURS,
MANUFACTURING**
(SEASONALLY ADJUSTED)

— . . . —



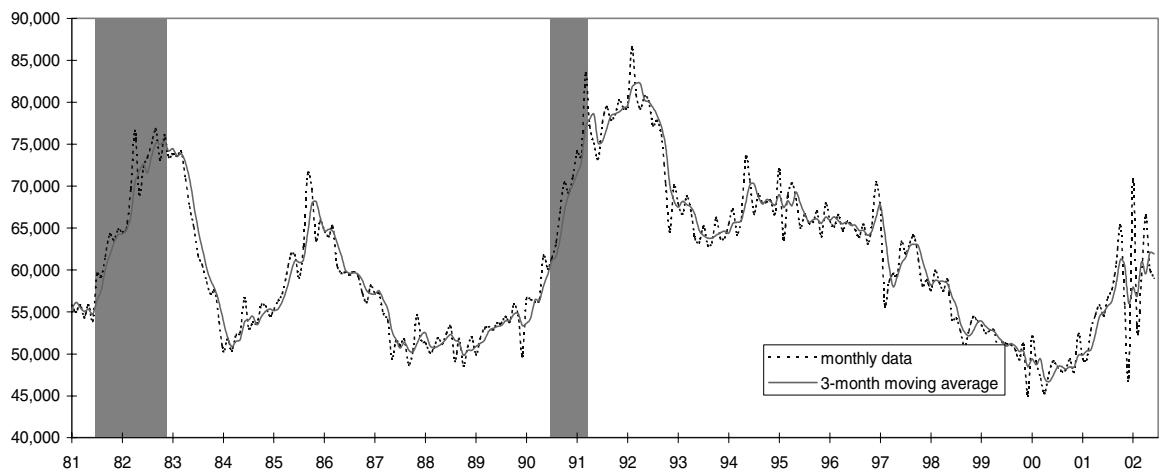
**UNEMPLOYMENT
RATE**
(PERCENT)

— . . . —



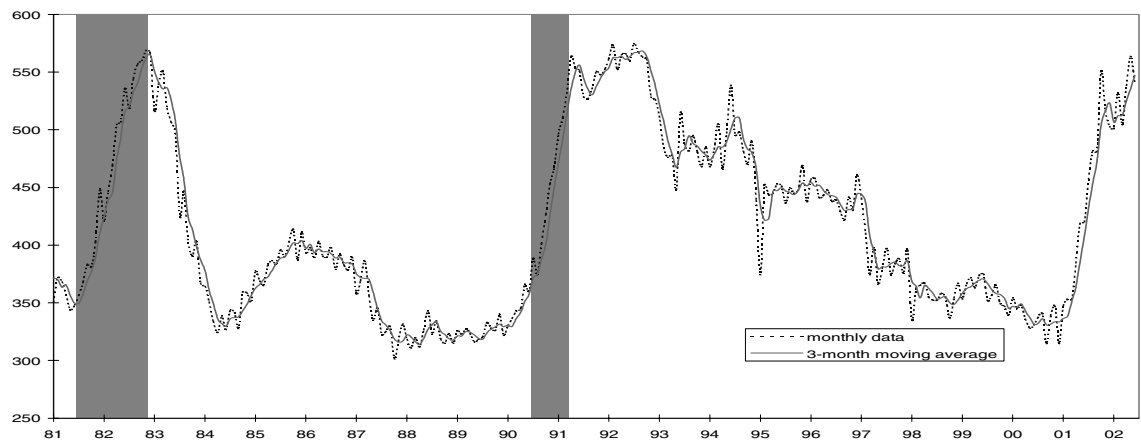
INITIAL & TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE

(WEEKLY AVERAGE, SEASONALLY ADJUSTED)



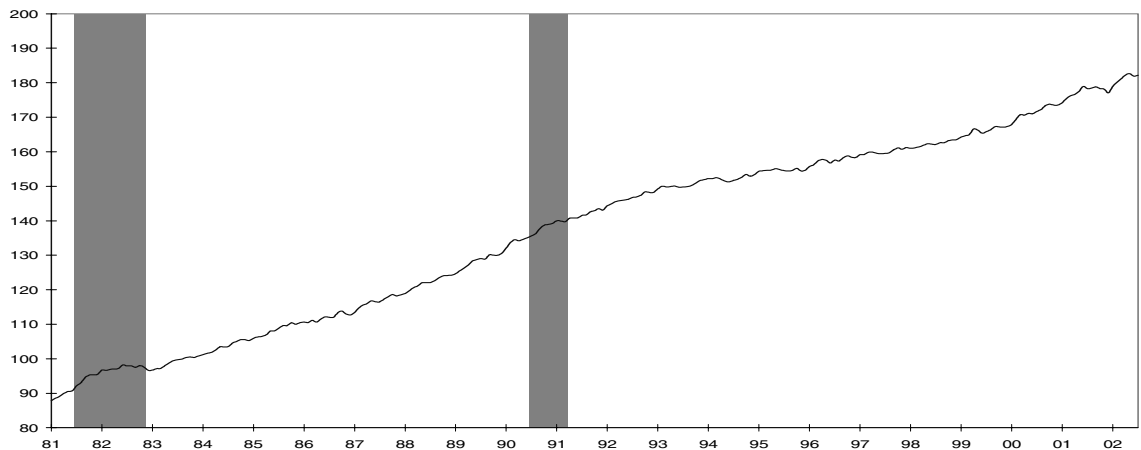
UNEMPLOYMENT, AVERAGE WEEKS CLAIMED

(THOUSANDS, SEASONALLY ADJUSTED)



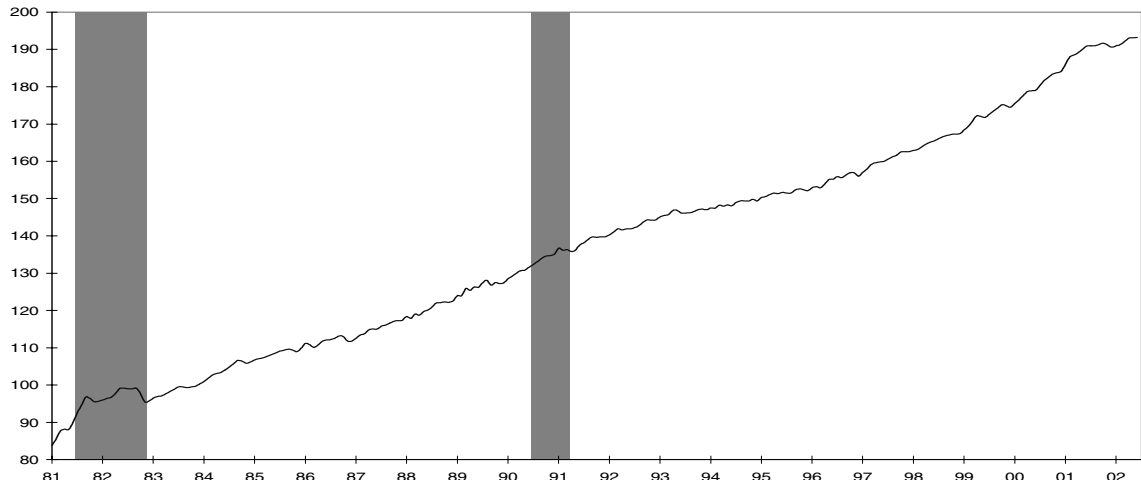
CONSUMER PRICE INDEX, LOS ANGELES

(1982-84=100)



CONSUMER PRICE INDEX, SAN FRANCISCO

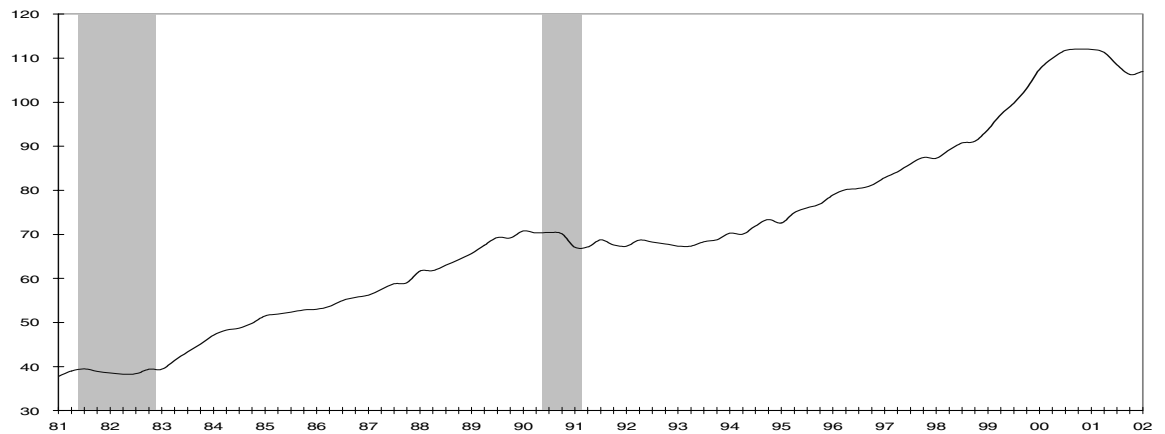
(1982-84=100)



TAXABLE SALES

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

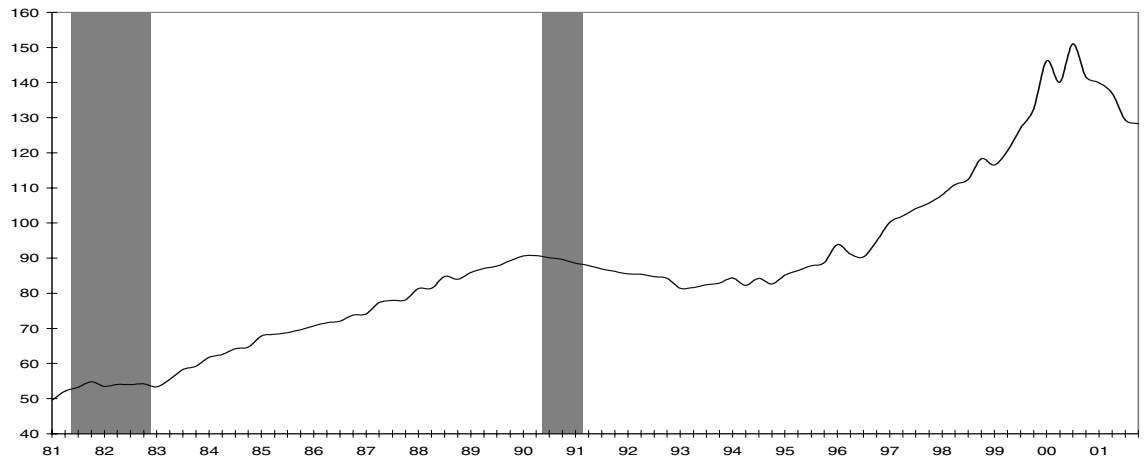
— . . . —



WAGES AND SALARIES IN MINING, CONSTRUCTION AND MANUFACTURING

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

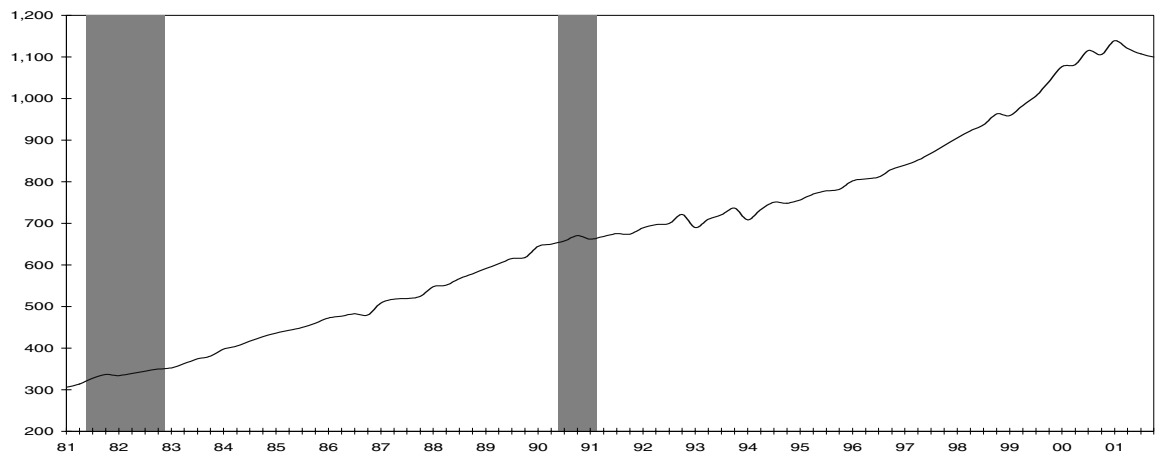
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PERSONAL INCOME

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)

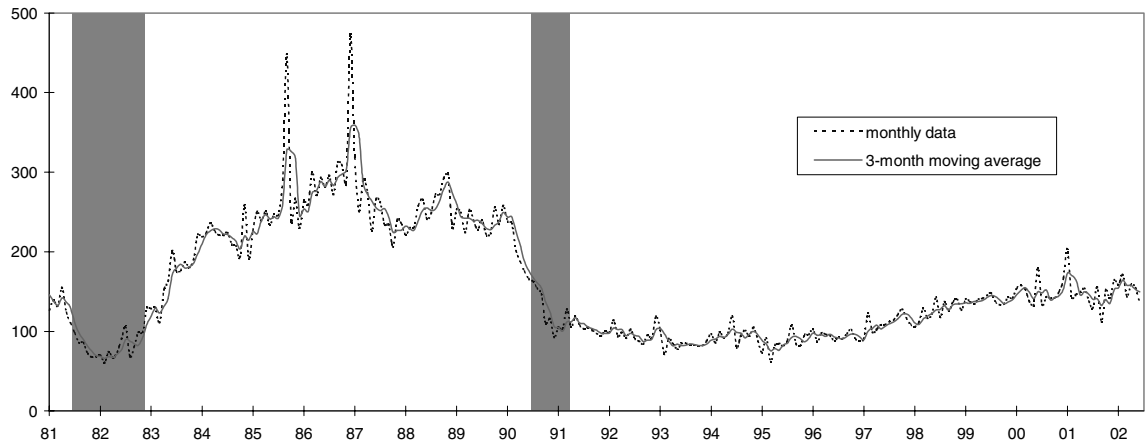
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NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS

(THOUSANDS, SEASONALLY ADJUSTED AT ANNUAL RATE)

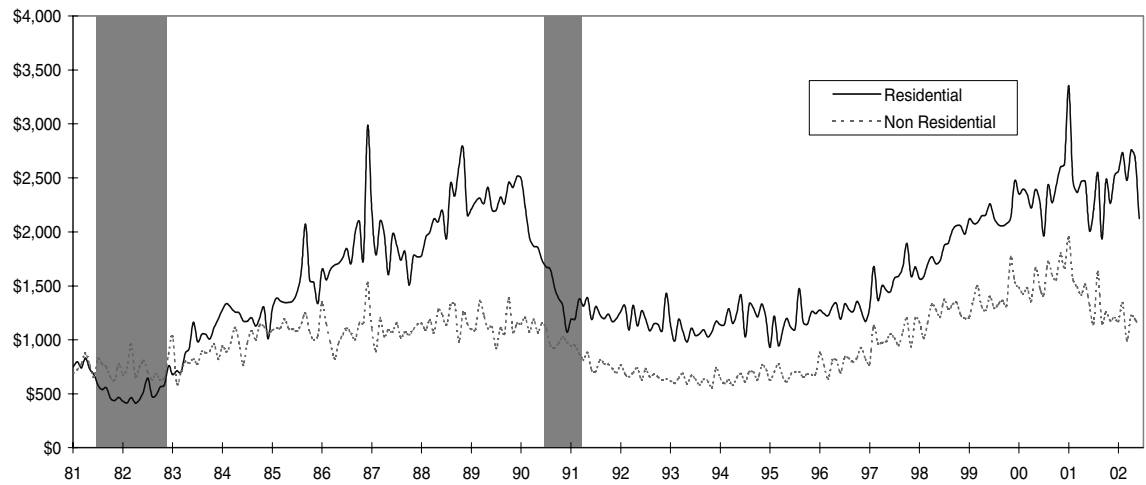
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RESIDENTIAL & NONRESIDENTIAL BUILDING PERMIT VALUATION

(DOLLARS IN MILLIONS, SEASONALLY ADJUSTED)

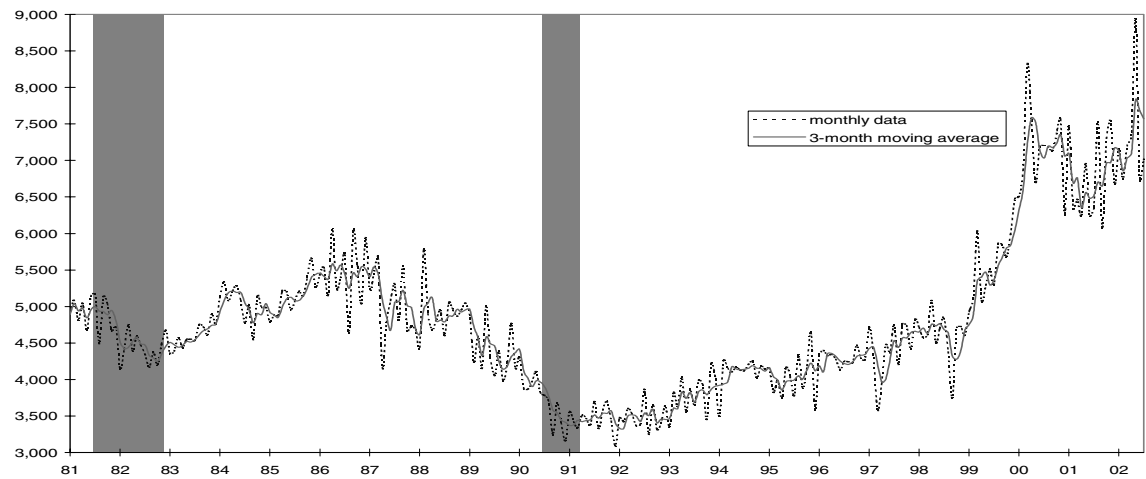
— . . . —



NEW BUSINESS INCORPORATIONS

(SEASONALLY ADJUSTED)

— . . . —



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

2001

March 19

OPEC to cut oil production by 1 million barrels a day.

March 19-20

California suffered rolling blackouts.

March 20

Federal funds rate reduced from 5.5 percent to 5.0 percent.
Discount rate reduced from 5.0 percent to 4.5 percent.

March 27

California regulators approved retail electric rate increase.

March 29

GDP grew at an annual rate of 1 percent in the fourth quarter, the lowest in more than 5 years.

April 6

PG&E utility unit files for bankruptcy.

April 18

Federal funds rate reduced from 5.0 percent to 4.5 percent.
Discount rate reduced from 4.5 percent to 4.0 percent.

April 23

A Tosco refinery explosion pushed gasoline prices to near record highs.

April 24	Standard & Poors lowered California's bond rating from AA to A+
April 27	GDP grew at an annual rate of 2 percent in the first quarter.
May 7-8	California hit by rolling blackouts.
May 15	Federal funds rate reduced from 4.5 percent to 4.0 percent. Discount rate reduced from 4.0 percent to 3.5 percent.
June 7	Federal tax cut was signed into law.
June 18	The Federal Energy Regulatory Commission adopted a price "mitigation" plan designed to reduce spikes in wholesale electricity prices in California and other Western states.
June 27	Federal funds rate reduced from 4.00 percent to 3.75 percent. Discount rate reduced from 3.50 percent to 3.25 percent.
June 29	First quarter GDP growth rate revised to 1.2 percent.
August 21	Federal funds rate reduced from 3.75 percent to 3.50 percent. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate. Discount rate reduced from 3.25 percent to 3.00 percent.
August 29	Second quarter GDP grew at a 0.2 percent annual rate.
September 11	Terrorists attack World Trade Center and the Pentagon.
September 11-14	U.S. stock trading halts.
September 17	Federal funds rate reduced from 3.50 percent to 3.00 percent. Discount rate reduced from 3.00 percent to 2.50 percent. Dow Jones Industrials record biggest point drop in history, falling 684.41.
October 2	Federal funds rate reduced from 3.00 percent to 2.50 percent. Discount rate reduced from 2.50 percent to 2.00 percent.
October 26	Lockheed Martin Corporation awarded defense contract.
November 6	Federal funds rate reduced from 2.50 percent to 2.00 percent. Discount rate reduced from 2.00 percent to 1.50 percent.
November 26	Recession in the US began in March 2001, according to NBER.
December 2	Enron filed for bankruptcy protection.
December 11	Federal funds rate reduced from 2.00 percent to 1.75 percent. Discount rate reduced from 1.50 percent to 1.25 percent. China becomes WTO member.
December 21	GDP down 1.3 percent in Q3.
December 31	Markets fall for a second straight year for the first time since 1974.
2002	
January 1	Taiwan becomes WTO member. OPEC to cut oil production by 6.5 percent. Euro becomes legal tender in 12 European countries.
January 6	Unemployment insurance benefits increased in California.
February 28	GDP up 1.4 percent in Q4.
March 9	California's "Job Creation and Worker Assistance Act of 2002" was signed into law that provides for temporary extended unemployment compensation.
March 28	GDP up 1.7 percent in Q4.

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April 25

Security and Exchange Commission launched a formal investigation of Wall Street analysts' conflicts of interest.

May 13

President Bush signed a 10-year, \$190 billion farm bill that promises to expand subsidies to growers.

June 27

GDP up 6.1 percent in Q1.

July 5

Foreign direct investment flows to developed countries declined by 56% in 2001, with the United States seeing the largest fall off to its lowest level since 1997.

July 8

Intel launches its Itanium 2 chip.

July 10

President Bush called for stiffer penalties to eradicate corporate fraud.

July 15

Pfizer to buy Pharmacia.

July 16

The dollar sank against the euro for the first time in more than two years. Intel to eliminate 4,000 jobs.

July 21

WorldCom filed for bankruptcy protection.

July 22

The Dow Jones industrial average sank to its lowest level in nearly four years. Both the Nasdaq and S&P 500 are at their lowest levels since the first half of 1997.

July 30

President Bush signed into law the Public Company Accounting Reform and Investor Protection Act.

July 31

GDP growth slowed to 1.1 percent in Q2 from revised 5.0 percent in Q1. Last year's data was also revised indicating that the economy shrank in each of the first three quarters.

Venture capital investments hit four-year low.

August 8

IMF signed an emergency loan to Brazil.

August 11

U.S. Airways filed for bankruptcy.

August 20

The U.S. trade deficit narrowed in June, following two straight record monthly deficits.